



# **News Release**

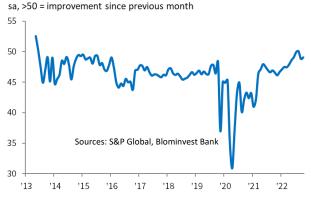
### Purchasing Managers' Index<sup>™</sup> MARKET SENSITIVE INFORMATION EMBARGOED UNTIL: 11:00 (BEIRUT) / 09:00 (UTC), November 3<sup>rd</sup> 2022

## **BLOM Lebanon PMI®**

## Headline PMI rises slightly in October

#### Data collected October 12-25

- Softer declines in output and new orders lift headline index
- Liquidity issues cause buying activity and stock levels to fall
- Inflation rates ease despite sustained currency pressures



Latest BLOM Lebanon PMI® data signalled a deterioration in business conditions across the Lebanese private sector economy in October. Challenging financial conditions, political uncertainty and weak domestic purchasing power weighed on company performances during October, according to survey respondents, leading to reductions in output and new orders. That said, rates of decline eased from September.

Businesses also commented on cashflow issues, leading to falls in purchasing activity and stocks. Meanwhile, inflationary pressures remained elevated due to the high cost of US dollars.

The headline figure derived from the survey is the Purchasing Managers' Index<sup>™</sup> (PMI<sup>®</sup>). The PMI is a composite index, calculated as a weighted average of

five individual sub-components: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). Readings above 50.0 signal an improvement in business conditions on the previous month, while readings below 50.0 show a deterioration.

The headline BLOM Lebanon PMI<sup>®</sup> rose to 49.1 in October, from September's four-month low of 48.8 and pointing to a softer deterioration in operating conditions across the Lebanese private sector.

#### Commenting on BLOM Lebanon PMI for October 2022, Mrs. Aline Azzi, Research Analyst at BLOMINVEST Bank, said:

"The private sector in Lebanon revealed signs of improvement for the month of October yet it operated relatively under serious challenging conditions. Surprisingly, Lower Lebanese exchange rate has not stimulated higher exports as the new export orders dropped while output and new orders increased yet remained below the 50 threshold. Hence, the headline BLOM Lebanon PMI rose for the month of October following a most positive scenario resulting from the historic agreement demarcating the dispute maritime border between Lebanon and Israel. Undoubtedly, short term cautious positivity would be on the horizon, nevertheless, the financial and economic crises in the country remain a major challenge for the Government. On top of that, finding gas on our shores and proper governance remain a big question. Lebanon must go faster on implementing the reforms especially as the next presidential election and State dysfunction impose an unknown timeline for the recovery."

# The main findings of September's survey were as follows:

The headline index was kept below the crucial 50.0 level that separates growth from contraction by continued declines in output and new orders. According to survey respondents, demand conditions worsened during October due to weak client purchasing power and rising prices. New business from external markets also fell.

In turn, the latest survey data signalled a reduction in business activity across Lebanon's private sector. Challenging financial conditions reportedly restricted output volumes at some companies. Nevertheless, the rate of decline was softer than in September.

There were reports of liquidity issues by some panel members, with companies linking this to a decrease in purchasing activity and stocks of inputs. A number of companies also attributed lower buying activity to weak demand.

Inflationary pressures remained a notable drag on sales performances in October. The latest survey data highlighted another increase in selling prices, albeit one that was the softest since July. Hikes in charges were reportedly due to the rising cost of US dollars. Overall input cost inflation was strong in October, despite easing to a three-month low.

Elsewhere, fractional decreases were seen in employment and backlogs of work, while disruptions at ports contributed to supplier delays.

Looking ahead, uncertainty towards the political and economic environment kept confidence in negative territory.

-Ends-

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#### Note to Editors:

The BLOM Lebanon Purchasing Managers' Index<sup>™</sup> is based on data compiled from monthly replies to questionnaires sent to purchasing executives in approximately 400 private sector companies, which have been carefully selected to accurately represent the true structure of the Lebanese economy, including manufacturing, services, construction and retail. The panel is stratified GDP and company workforce size. Survey responses reflect the change, if any, in the current month compared to the previous month based on data collected mid-month. For each of the indicators the 'Report' shows the percentage reporting each response, the net difference between the number of higher/better responses and lower/worse responses, and the 'diffusion' index. This index is the sum of the positive responses plus a half of those responding 'the same'.

The Purchasing Managers' Index (PMI<sup>®</sup>) is a composite index based on five of the individual indexes with the following weights: New Orders - 0.3, Output - 0.25, Employment - 0.2, Suppliers' Delivery Times - 0.15, Stock of Items Purchased - 0.1, with the Delivery Times index inverted so that it moves in a comparable direction.

Diffusion indexes have the properties of leading indicators and are convenient summary measures showing the prevailing direction of change. An index reading above 50 indicates an overall increase in that variable, below 50 an overall decrease.

S&P Global do not revise underlying survey data after first publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series. Historical data relating to the underlying (unadjusted) numbers, first published seasonally adjusted series and subsequently revised data are available to subscribers from S&P Global. Please contact <u>economics@ihsmarkit.com</u>.

#### About BLOMINVEST BANK

BLOMINVEST BANK, established in 1994, is the investment arm of BLOM Bank SAL, one of the largest banks in Lebanon. As part of its expansionary vision towards the MENA region, the bank has established one investment arm in Saudi Arabia, "BLOMINVEST KSA" and launched three brokerage and trading firms in Egypt, Syria, and Jordan, namely "BLOM Bank Egypt Securities", "Syria and Overseas for Financial Services", and "Financial Services Experts Company". BLOMINVEST BANK is one of few institutions within the greater Levant region that offer Private banking, Investment banking, Asset Management, Brokerage, and Research services under one roof. Based on its track record, BLOMINVEST BANK to date remains the most awarded local investment bank. For more information, see <u>www.blominvestbank.com</u>.

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#### About PMI

*Purchasing Managers' Index™ (PMI®)* surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely-watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-todate, accurate and often unique monthly indicators of economic trends. To learn more go to https://ihsmarkit.com/products/pmi.html.

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